



Request for Committee Action

Date: May 21, 2014

To: Honorable Abdi Warsame, Chair
Taxes Committee

Subject: 2014 Minneapolis Board of Appeal and Equalization

Recommendation: Approve the recommendations of the 2014 Board of Appeal and Equalization

Prepared By: Julie Johnson, Program Assistant, City Clerk's Office
Approved by: Casey Joe Carl, City Clerk

Background Information: Pursuant to Minnesota Statutes § 274.01, subd. 2, the City Council appoints a Special Board of Review to serve as the City's Board of Appeal & Equalization. The Board's membership must include at least one appraiser, realtor, and property owner. On March 7, 2014 the following members were appointed by the City Council to the 2014 Board of Appeal & Equalization; to-wit: Tad Marinac and Paul Grace as certified appraisers; Sandra Loescher and Patricia Werner as licensed realtors; and Jeffrey Larson and Earl Netwal as property owners.

The Board was sworn and impaneled on Friday, May 2, 2014. Hearings were conducted on May 2 and May 9 with the following results:

Table 1. 2014 General Statistics	
Number of appeals received by Clerk's Office	540
Number of properties cancelled prior to hearing date	40
Number of properties concurred prior to hearing date	244
Number of appeals presented to the Board	27
Number of appeals received after the deadline and read into the record for submission to Hennepin County Appeals Board	219

Table 2. 2014 Valuations by Special Board of Review	#	Pre-Hearing	Post-Hearing	Percent
Number of properties sustained at current value (including refused entries)	9	\$3,039,000	\$3,039,000	0%
Number of properties with reduced values	17	\$4,005,800	\$3,715,800	-7.2%
Number of properties with increased values	1	\$891,000	\$900,000	+1.0%
Number of properties eligible to appear before the County's Appeals Board (including all late appeals, concurrences, and properties decided by the City's Board)	501	\$248,276,800	\$234,529,800	-5.5 %

Table 3. Comparative Analysis										
Year of BA&E Action	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total No. of Appeals	190	97	166	449	1335	511	550	615	302	540

Minneapolis Board of Appeal and Equalization

Report of the Special Board of Review

The City Clerk submits the report of the Special Board of Review, pursuant to the provisions of an ordinance passed May 30, 1975, relating to assessments of market value of real estate, providing for the creation of a Special Board of Review (Minn. Stat. 274.01, subd. 2). The membership of the 2014 Special Board of Review was appointed by action of the City Council on March 7, 2014. Members were assembled on Friday, May 2, 2014, for the purpose of arbitrating disputes between property owners and the City concerning property classification or market value assessments. The Special Board of Review, serving as the City's Board of Appeals & Equalization, has the authority to decrease, sustain, or increase the market value of a property. After being sworn and impaneled by the City Clerk, the Board entered upon the discharge of its duties, conducting hearings on property appeals on Friday, May 8, 2014. Having concluded its work, the Board adjourned *sine die* at 2:05 p.m.

The Board equalized the values of the assessment rolls of real and personal property within the City of Minneapolis, County of Hennepin, State of Minnesota. The Board now recommends approval of the Assessor's rolls containing the assessment of real estate and personal property in the districts of the City of Minneapolis, as so revised, amended, equalized, and granted by the Special Board of Review (Board of Appeals & Equalization).

The Board hereby further recommends to the City Clerk that copies of the adjustments and corrections made to such assessment rolls, as set forth in the proceedings of the Minneapolis Board of Appeal & Equalization, dated May 9, 2014 be transmitted to the City Council for its review and approval or correction. If approved, the Board recommends such assessment rolls be transmitted to the City Assessor, the Hennepin County Board of Appeal and Equalization, and the State Tax Commissioner with the request that they take such action within their powers as authorized by law to give full effect to the correction and adjustments recommended and made by the Minneapolis Board of Appeal & Equalization.

The Annual Board of Appeal & Equalization process starts with The Notice of Valuation and Classification mailed to the owner of record in the order below:

- February 13, 2014 - single family, duplex, triplex and condominium homesteads
- February 19, 2014 - single family, duplex, triplex and condominium non-homesteads
- March 11, 2014 – apartment, commercial and industrial properties

Within this letter are instructions how to appeal, and an appeal deadline of April 4. The property owner's first step is to contact the City Assessor. If there is a recent interior review and information on file, discussion of the estimated market value is based on this data.

If there is not a recent interior review, the Assessor must inspect the property to determine a new assessed value. Failure to allow an interior review by the assessor restricts the Board's authority to change an assessed value. This is in accordance to Minnesota Statutes, Section 274.01, subdivision 1, paragraph b, which states "The local board may not make an individual market value adjustment or classification change that would benefit the property in cases where the owner or other person having control over the property will not permit the assessor to inspect the property and the interior of any buildings or structures."

After an interior review, the Assessor may see a need to adjust the estimated market value and it is at this time the property owner and Assessor may come to a concurrence on the estimated market value.

The Board of Appeal and Equalization published April 23, 2014 as the last day to file an application and speak before the board. This year like prior years, the board accepted taxpayers' applications up through the close of the board meeting on May 9, 2014. This is permitted in the rules and guidelines governed by the Department of Revenue and allow late applicants the opportunity to appeal their property value to the Hennepin County Board of Appeal and Equalization in June 2014.

All applicants (except cancelled) have the opportunity to move onto the County board if they are unsatisfied with either a concurrence or the Local Board's decision.

540 Applications were received prior to the adjournment of the board on Friday, May 8, at 2:05 p.m. Of the 540 properties, 135 of the appeals were from applicants with multiple parcels. (Multiple parcels meaning 5 or more). Approximately 46% of the applications were received within the last few days of the April 4 filing deadline.

Definitions:

The Notice of Valuation and Classification: This annual notice is mailed to property owners during the first quarter of each year. The notice provides a reasonably accurate estimate of real estate value that will be used in the calculation of the following year's property taxes. The notice does not include any anticipated or approved special assessment payments for services such as street improvements. The Valuation Notice also provides the owner with the prior years assessment information used to determine the amount of property taxes the owner is paying in the current year.

Cancel: The property owner voluntarily rescinded their decision to appeal the estimated market value.

Concurrence: The property owner and the Assessor came to an agreement on the estimated market value prior to the board hearing. This decision is recorded as a board action under the term concurrence.

Estimated Market Value: The statutory definition of market value is “the usual selling price at the place where the property to which the term is applied shall be at the time of assessment; being the price which could be obtained at a private sale or an auction sale, if it is determined by the assessor that the price from the auction sale represents an arm’s length transaction. The price obtained at a forced sale shall not be considered.” (Minnesota Statute §272.03, Subd.8)

In other words, the market value the county or local assessor estimates, based on sales and market value income approach trends, what a property would sell for in an open market transaction*.

Read into Minutes: Applicants that missed the April 4 deadline but applied prior to the close of the LBAE meeting are received by the Local Board and recorded in to the minutes. These applicants are eligible to appear before the County Board if they do not come to a concurrence with the City Assessor prior to the County Board of Appeal and Equalization meeting.

*Source: MN Department of Revenue.